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SUBJECT: OFFSHORE OIL EXPLORATION IN FULL SWING ONE YEAR AFTER
BORDER SETTLEMENT

¶1. (U) Summary: Offshore oil exploration is in full swing one year after the September 2007 resolution of the Guyana-Suriname maritime border dispute. Concession-holders Exxon and Canada-based CGX are commencing seismic surveys, and may begin exploratory drilling as early as late 2009. The GoG will likely delay decisions regarding potential oil revenue allocation until drilling proves successful. End summary.

Oil Exploration Moves Ahead

¶2. (U) The exploration of Guyana's expected offshore oil reserves is proceeding apace one year after a UN tribunal settled Guyana's long-standing maritime border dispute with Suriname. These reserves could be vast. CGX has a full or partial stake in three concessions roughly equal in size to the state of Maryland, and the company conservatively estimates that its Corentyne block alone has at least 1.1 billion barrels of recoverable oil. (Note: The U.S. Geological Service has previously estimated that the Guyana-Suriname basin has the largest undiscovered oil reserves in the world. End Note.)

¶3. (U) Exxon recently began conducting a 3-D seismic survey in its huge offshore concession, while CGX expects to initiate such a survey before the end of September. Provided the surveys indicate the presence of recoverable hydrocarbon deposits, CGX would likely commence exploration drilling in late 2009, with full-scale extraction operations possible two or three years thereafter. Because Exxon's concession is larger and in deeper water than those of CGX, more time will be required to complete its survey; Exxon expects its exploratory drilling will start no earlier than 2011.

¶4. (U) A recent exploratory drilling in Surinamese territorial waters by Spanish concession-holder Repsol turned up dry, but raised few concerns since Repsol had not performed a seismic survey in advance. CGX, which is collaborating with Repsol on one of Guyana's concession blocks, says that the dry hole will thus not affect its exploration plans. Regarding Guyana's western maritime border, neither CGX nor Exxon have expressed concern that Venezuela's claim of two-thirds of Guyana's landmass will interfere with exploration activities, since the best prospects for offshore oil lie east of the area in question.

¶5. (SBU) CGX and Exxon both report good relations with the GoG, and have reassured President Jagdeo that exploration is moving forward on schedule. The government's Geology and Mines Commission has expressed satisfaction that both CGX and Exxon have followed through on their commitments in a timely manner.

Comment

¶6. (SBU) CGX's long-term solvency depends on finding oil in its Guyana concessions, giving it impetus to push ahead quickly. Exploration activities will likely continue smoothly until drilling verifies the presence of commercially viable hydrocarbons. The GoG

is not likely to move forward with any meaningful discussions about how to allocate the potential windfall of tax and royalty revenue until that juncture. End comment.

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